



Notes for remarks by

Mr. Robert E. Brown
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and
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CAE Inc.

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Robert E. Brown, Chief Executive Officer

Good morning ladies and gentlemen,

Fiscal 2007 was a good year for CAE.

Revenues increased 13% to reach \$1.25 billion, and each of our four segments contributed to this growth.

Net earnings for the year were \$127 million, an increase of 100% over last year. We generated \$94 million of free cash flow, reduced our net debt to \$133 million and concluded the year with a solid balance sheet.

Our restructuring is now complete, but we will continue to look for ways to improve our cost structure and be more efficient.

We finalized our consolidation in training and services: overall, we redeployed 28 of our 114 simulators. At the same time, we expanded our training centres in Spain, the Netherlands, China and the U.K. We developed a joint venture with Embraer for the new light- and very-light jets, opened a new business jet training centre in the United States and announced a new training centre in India.

To address the global pilot shortage, we launched the CAE Global Academy - a worldwide network of flight training organizations. Just last week, during the Paris Air Show, we entered an agreement with the Government of India for two additional schools. Once this contract is finalized, the CAE Global Academy will have a total of eight schools and a capacity to graduate approximately 1,400 new pilots per year.

In addition, we announced that we are now Bombardier's authorized training provider for the Global Express family and the Challenger 300 aircraft.

In Simulation products/civil, we signed contracts for 34 simulator sales, making fiscal 2007 one of the best years ever for simulator sales. We received orders for Boeing 787 simulators from longstanding customers Qantas, China Eastern and Japan Airlines. These are the first of their kind to be ordered by airlines. As well, we received an order from Continental Airlines last fall—the first order from a U.S. legacy carrier since 9/11. We are off to a good start to the new fiscal year. So far we have announced the sale of thirteen full flight simulators.

And we are well positioned to remain in the forefront of modelling and simulation. We have consulted with customers to help inspire a new series of full-flight simulators that meet the increased training needs for narrow body and corporate aircraft. As part of our multi-year R&D project called Phoenix, we designed and developed the revolutionary, CAE 5000 Series. To date we have received orders for nine Series 5000 full flight simulators from launch customers including Ryanair, Lufthansa, Embraer and CAE. I would like to take this opportunity to congratulate and thank everyone who worked on this highly innovative project.

In the **combined military segments**, our backlog reached a record 1.47 billion dollars at the end of the year. We took in nearly 600 million dollars worth of orders, involving a diverse range of product and service programs for the Australian, British, Canadian, German, Italian and U.S. forces.

We continue to make progress on our goal to grow our presence in the U.S. defense market. We are now providing solutions to every service of the U.S. defense forces. Notably, we received orders during the past year for the U.S. Navy MH-60S and the E-6B Mercury aircraft.

As well, we continued to strengthen our relationships with OEMs. Boeing recently recognized CAE with its Outstanding Supplier Award for our responsiveness and support during the development of new business opportunities and also for the execution of ongoing efforts.

We also made some key strategic investments in the modelling and simulation sector: We acquired Kesem in Australia as well as Engenuity in Canada and Multigen-Paradigm in the US. These last two transactions were completed shortly after the end of the fiscal year.

In summary, Fiscal 2007 was a year of successful execution and good performance:

- We completed our restructuring
- We continued to strengthen our relationship with OEMs and with our customers
- We continued investing in our training centres around the world, expanding and opening new centres
- We maintained our technological leadership, investing in R&D and launching a new innovative product, the CAE 5000 Series
- We made some key strategic acquisitions to further strengthen our position in modelling and simulation
- And we continued to improve our financial position

Alain Raquepas will now briefly review our financial results. I will return to talk about CAE's prospects and priorities for FY08.

Alain Raquepas, Chief Financial Officer

Thank you, Mr. Brown. Good morning, ladies and gentlemen.

Allow me to briefly summarize the highlights of fiscal 2007.

As you know, we announced our restructuring plan in February 2005, and I thought it would be appropriate to look at our progress over the last three years.

Looking back at the consolidated statements of Earnings, we notice a good progression in annual revenue, from \$986 million in 2005 to \$1.25 billion today.

What we need to emphasize even more is the increase of our EBIT margin from 9.4% in FY06 to 15.1% in FY07, a proof of the success of our restructuring plan.

On a normalized basis, earnings per share increased from \$0.19 per share in FY05 to \$0.51 in FY07.

Though earnings are an important metric, so is cash flow. As a testament to the quality of our earnings we generated \$94 million of free cash during the year. Our CAPEX was close to \$160 million, of which \$120 million was invested to grow our training centre network.

Through strict discipline and an incentive program that prioritizes not only our profit and loss statement but also our balance sheet, we have been able to improve the way we manage our working capital. Over the past three fiscal years we have generated more than \$180 million of free cash from a series of reductions in working capital.

Throughout the year, we were able to further strengthen our balance sheet. Despite our investment in training centers, our net debt decreased to \$133 million as of March 31st. Our balance sheet is in good shape and provides flexibility to the company. It opens up a number of possibilities: we can invest more in our network as opportunities materialize and we have the capacity to do some strategic acquisitions.

Looking briefly at simulation products/civil, revenues increased from \$213 million in FY05 to \$348 million. Segment operating income has improved from a near break-even margin of 3.7% to 17.4%, reaching \$60.4 million. These major improvements are due to more orders, better synergies and improved program execution. Remember that we obtained these results while reducing our footprint in Montreal by 10%.

For Training and Services/Civil, our revenue increased 9.8% over the last three years, from 307 to 337 million, despite the fact that the average number of Revenue Simulator Equivalent Units in our network remained stable at 98 for the past 3 years. In addition, this improvement has been achieved despite negative foreign exchange impact and disruptions caused by the redeployment of simulators and the consolidation of some centres.

Segment operating income represented 13.0% of revenues in fiscal 2005, while it reached 19.1% this year. Here again, we managed to improve profitability despite an increase in the Canadian dollar over the period.

In the combined military segments, revenue increased by 21%, and we improved our operating margin from 10.2% to 12.9%. Higher revenue, lower amortization expenses and items related to a U.K.-based program all contributed to these improvements.

I would like to mention that we have completed the review of our Internal Controls for financial reporting as required by Sarbanes Oxley and Bill 198. I am pleased to report that management and CAE's auditors have both concluded and attested that internal controls at CAE are effective and that no material deficiencies or weaknesses have been found.

As you can see on the screen, throughout our restructuring, we succeeded in delivering results which created value for shareholders while at the same time compensating for the continued strengthening of the Canadian dollar.

In summary, CAE is in good financial health. We have seen revenue and profit growth in each segment, we generated positive free cash flow and our net debt is at a level providing us flexibility.

Thank you for your attention. I will now turn the microphone back to Mr. Brown.

Robert E. Brown, Chief Executive Officer

Thank you Alain,

When we look ahead, we see an extended cycle for commercial aviation. Just last week, Boeing and Airbus announced new orders for 545 aircraft, bringing the total of orders to eleven hundred for calendar 2007 so far. Business aviation OEMs continue to improve an already strong backlog.. On the military side, analysts predict modest growth for the coming years.

With this strong market, the demand for CAE's products and services is growing and CAE is well positioned in all sectors to take advantage of this opportunity.

During fiscal 08, we will continue to invest in R&D to consolidate our leadership position. We have said that we expect 30 full flight simulator orders in fiscal 08. We will update you on our outlook as the year progresses.

We plan to add approximately 10% more simulators to our existing fleet in our Training Centers around the world. Capital expenditures should be in the same range as last year at around \$160 million.

We expect modest revenue growth in our military segments, and in particular, we see more opportunities from the ramp up of NH90 Programs in Europe and in Australia. In North America, we are hopeful that some opportunities will develop from the programs announced by the Canadian government to reequip its Forces.

In summary, we have a strong financial foundation, supported by our balance sheet and our new cost base. We are aggressively pursuing new technological solutions for our customers and we are continuing to deepen our relationship with OEMs and our customers.

We have finished our formal restructuring and are now investing in our training centres for which we should see results within the next two to three years. We also intend to continue looking into acquisitions to strengthen our position in the market.

During fiscal 08, we will continue to expand our global footprint and we will focus on the execution of our plan particularly as it relates to penetrating emerging markets. As in the past, we will also look for ways to decrease our costs in order to accommodate the rapid rise of the Canadian dollar.

We see fiscal 2008 with optimism. There is no better time to be CAE. The market is positive, we are financially sound, we have improved our cost structure, we are investing in R&D and we are increasing our global presence throughout our network. We believe that we are well placed to continue creating value for shareholders overtime.

Finally, I would like to thank to CAE employees around the world for their dedication and I would like to thank our Board members for their counsel. And I want to thank you, our shareholders for your continued support.

I am now ready to take questions. Please use the microphones and identify yourself.